



STATE OF ALASKA

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OFFICE OF THE ALASKA GASLINE INDUCEMENT ACT (AGIA) COORDINATOR

ALASKA GASLINE INDUCEMENT ACT

October 31, 2009

The Honorable Gary Stevens
Senate President
305 Center Ave., Suite 1
Kodiak, AK 99615

The Honorable Mike Chenault
Speaker of the House
145 Main St. Loop, #223
Kenai, AK 99611

Dear President Stevens and Speaker Chenault,

Included with this letter is the administration's second AGIA Gasline Project Report. The major development over the reporting period was the announcement that ExxonMobil entered into a new agreement with TransCanada called the Alaska Pipeline Project (APP), to advance TransCanada Alaska Company, LLC's (TC Alaska) AGIA-licensed project through the 2010 Open Season.

The agreement offers tremendous synergies by merging TC's extensive sub-arctic pipeline construction experience, and its existing regulatory certificates for the project through Canada, with ExxonMobil's project management expertise, financial strength, expertise in the design and construction of gas handling facilities, and its upstream expertise on Alaska's North Slope. ExxonMobil also brings to APP a prior producer gasline study and the large geotechnical and environmental dataset that it has access to as an owner of the TransAlaska Pipeline (TAPS).

APP has accelerated certain tasks on the project calendar. Some of this new work will provide for a more refined project schedule and cost estimate at the Open Season. The Open Season remains on schedule, targeted for completion at the end of July 2010. Other accelerated efforts include an earlier-than-anticipated pre-filing with the FERC (approved by FERC in May 2009), establishment and staffing of a new project office in Anchorage, and execution of field programs to map the pipeline right-of-way.

Engineering and field work continue to advance under the new APP team, which has been expanded to include over 100 full-time employees (approximately 50 percent from TC Alaska and 50 percent from ExxonMobil). Work on the gas treatment plant is on schedule to complete year-end deliverables. The pipeline corridor running through Alaska has been subject to numerous samplings and land and air reconnaissance. The team

continues to engage state and federal agencies on regulatory and permitting issues, and is preparing an in-state gas study, expected to be completed near the end of 2009.

The APP commercial team is now regularly engaged with potential gas shippers and is prepared to receive gas shipping commitments at the Open Season. Consistent with other large gas pipeline projects, it is expected for these commitments to be conditioned. Following conclusion of the Open Season, the gas pipeline company will continue to work with shippers towards resolving any outstanding conditions as the project carries forward.

The recession and continuing economic downturn has caused a decrease in demand for natural gas at the same that new supplies of Lower-48 unconventional gas entered the market. This has negatively impacted short term gas prices, but not the longer term price forecasts which remain at levels that make the Alaska project very attractive. At the same time material costs such as steel have dramatically decreased.

To date, TC Alaska has worked with 24 Alaska-based service providers and remains committed to meet the Alaska business and local hiring provisions of AGIA. The Alaska Department of Labor and Workforce Development continues to pursue a comprehensive workforce development plan – The AGIA Strategic Training Plan – to increase awareness of and training opportunities in natural resource development careers. The plan identifies 113 occupations necessary for gas line construction.

Alaskans should be encouraged by the progress which TransCanada and ExxonMobil continue to demonstrate in moving forward Alaska's gas pipeline project.

We will provide a new report within the first 10 days of the upcoming legislative session. At that time we expect to provide refined cost estimates. If you have any questions regarding the contents of this report, please do not hesitate to contact my office.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark D. Myers', followed by a long horizontal flourish.

Mark D. Myers, PhD
AGIA Coordinator

Enclosure: AGIA Gasline Project Report, October 31, 2009

cc: Members of the Senate
Members of the House of Representatives
The Honorable Sean Parnell, Governor
Drue Pearce, Federal Coordinator – Office of the Federal Coordinator for Alaska Natural Gas
Transportation Projects
Tom Irwin, Commissioner – Alaska Department of Natural Resources
Pat Galvin, Commissioner – Alaska Department of Revenue
Click Bishop, Commissioner – Alaska Department of Labor & Work Force Development
Leo von Scheben, Commissioner – Alaska Department of Transportation
Daniel S. Sullivan, Attorney General – Alaska Department of Law